

The leading Democrat and Republican of a House Oversight Subcommittee insisted on the testimony of a top Treasury official today. Congressman Dennis Kucinich (D-OH) and Congressman Darrell Issa (R-CA) sent a letter to Secretary Paulson insisting that Mr. Neel Kashkari, the Interim Assistant Secretary of the Treasury for Financial Stability, testify before a hearing of the Domestic Policy Subcommittee on Friday, November 14, 2008. Congressman Kucinich is the Chairman of the Domestic Policy Subcommittee and Congressman Issa is the Ranking Minority Member.

“There are serious questions about Treasury Department’s plans to realize the goals of the Emergency Economic Stabilization Act of 2008 that can only be addressed by the official in charge,” Kucinich and Issa wrote in the letter.

“The time has come for the Treasury Department to speak clearly and definitively to Congress and the American people about its plans for the extraordinary sums Congress has authorized,” they added.

The hearing, entitled “Is Treasury Using Bailout Funds to Increase Foreclosure Prevention, as Congress Intended,” will be the Subcommittee’s sixth hearing in the 110th Congress examining the foreclosure crisis and its solutions.

The purpose of this hearing is to assess Treasury’s use of and clarify their intentions for a \$700 billion fund, known as the Troubled Assets Relief Program (TARP). Congress established the TARP on October 3, 2008, and provided it with two sequential tranches of \$350 billion. One of TARP’s core functions is to prevent future foreclosures through the acquisition of mortgage-related assets, such as whole loans, mortgage-backed securities and other financial products, and the implementation of a plan to stem foreclosures on those loans. In creating TARP, Congress was aware of the efforts of the private mortgage servicing industry to prevent foreclosures, and committed an extraordinary sum of taxpayer funds to expand upon those efforts. In light of public statements by Treasury, and the department’s commitment of more than two-thirds of the first tranche to purposes other than foreclosure prevention, important oversight questions remain.

Mr. Kashkari’s presence at the hearing was originally requested by letter on October 31, 2008. The Subcommittee sent the below letter, after the initial request was denied by Treasury.

The full text of the letter follows:

November 11, 2008

The Honorable Henry M. Paulson, Jr.
Secretary
U. S. Department of Treasury
1500 Pennsylvania Avenue NW
Washington D.C. 20220

Dear Secretary Paulson:

We are writing to insist that Mr. Neel Kashkari, Interim Assistant Secretary of the Treasury for Financial Stability, testify at the Domestic Policy Subcommittee's hearing on Friday, November 14, 2008. There are serious questions about Treasury Department's plans to realize the goals of the Emergency Economic Stabilization Act of 2008 that can only be addressed by the official in charge.

As you know, on October 3, 2008, Congress passed the Emergency Economic Stabilization Act (EESA) and thereby created the Troubled Assets Relief Program (TARP) to further two Congressional objectives: the unfreezing of the credit markets and the prevention of foreclosures. Congress authorized two sequential tranches of \$350 billion to achieve those goals.

TARP has already committed \$250 billion to the purchase of preferred equity in a number of national and regional banks. There have been numerous news reports that the banks have used their TARP-provided equity stakes not for new lending, but for purposes contrary to the intent of Congress in passing EESA, such as the acquisition of other financial institutions, compensating employees and paying bonuses, and paying for the distribution of dividends for shareholders.

In his October 23 testimony before the Senate Banking Committee, Mr. Kashkari spoke only

in broad generalizations, and did not provide the Committee with specifics about asset-acquisition or plans to promulgate new rules. As recently as last week, our staff interviewed high ranking TARP officials. Unfortunately, what they heard from Treasury consisted predominantly of generalities and aspirations.

The time has come for the Treasury Department to speak clearly and definitively to Congress and the American people about its plans for the extraordinary sums Congress has authorized. We do not believe that can occur in any other way than to have the testimony and answers of the person appointed by you to head the TARP. For that reason, Mr. Kashkari's appearance is imperative.

We look forward to your response.

Sincerely,

Dennis J. Kucinich
Chairman
Domestic Policy Subcommittee

Darrell E. Issa
Ranking Minority Member
Domestic Policy Subcommittee